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Key Small Business Statistics

Canada

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When is a business "small"?

The size of a business can be defined in many ways, by the value of its annual sales or shipments, for example, or by its annual gross or net revenue, the size of its assets, or the number of its employees. Many institutions define small businesses according to their own needs: the Canadian Bankers' Association classifies a company as "small" if it qualifies for a loan authorization of less than $250 000, while the Export Development Corporation defines small or "emerging" exporters as firms with export sales under $1 million. Industry Canada has often used a definition based on the number of employees: goods-producing firms are considered "small" if they have fewer than 100 employees, while for service-producing firms the cutoff point is seen as 50 employees. Above that size, and up to 499 employees, a firm is considered medium-sized. The smallest of small businesses are called micro-enterprises, most often defined as having fewer than five employees. The term "SME" (for small and medium-sized enterprise) is used to refer to all businesses with fewer than 500 employees, while firms with 500 or more employees are classified as "large" businesses.

As will be seen, in practice, reporting on small businesses can seldom adhere to any strict definition due to data limitations.

How many businesses are there in Canada?

The Business Register of Statistics Canada maintains a count of business establishments[1] and publishes results twice a year. Some business establishments can belong to the same company and each company owns at least one business establishment. For an individual business establishment to be included in Statistics Canada's Business Register, the company to which it belongs must meet one of the following criteria: have at least one paid employee (with payroll deductions remitted to the Canadian Revenue Agency — CRA), or have annual sales revenues of $30 000, or be incorporated and have filed a federal corporate income tax return at least once in the previous three years.

As of June 2003, there were approximately 2.2 million business establishments in Canada, as shown in Table 1. About half of all business establishments are called "employer establishments," since they maintain a payroll of at least one person (possibly the owner). The other half are classified as "indeterminate" because they do not have any employees registered with the CRA. Such businesses may have a work force consisting of contract workers, family members and/or owners. Because this information is not available, the "indeterminate" category was created.

1. Statistics Canada uses four standard statistical business units for purposes of compiling statistics. Establishments are the smallest unit/grouping for which data are published. Establishments must:
   a) produce a homogeneous set of goods or services;
   b) not cross provincial boundaries; and
   c) provide data on the value of output together with the cost of principal intermediate inputs used, along with the cost and quantity of labour resources used to produce the output.

   For example, a business unit of a larger enterprise that provides independent accounting information to the government on sales taxes and payroll deductions would be recognized as an individual business establishment.

Slightly more than 58% of all business establishments in Canada are located in Ontario and Quebec. Virtually all the rest are divided up between the western provinces (around 35%) and the Atlantic provinces (around 6%). The Northwest Territories, the Yukon and Nunavut only represent 0.3% of Canada's businesses.

Table 1: Total Number of Business Establishments, and Number of Establishments Relative to Provincial/ Territorial Population and Gross Domestic Product, June 2003

	No. of Business Establishments			No. of Establishments per 1 000 population	GDP per Business Establishment ($ thousands)
Provinces/Territories	**Total**	**Employer Businesses**	**Indeterminate[1]**		
Newfoundland and Labrador	25 951	17 077	8 874	49.9	638
Prince Edward Island	10 508	6 880	3 628	76.3	357
Nova Scotia	52 089	30 894	21 195	55.7	520
New Brunswick	44 590	26 897	17 693	59.4	475
Quebec	503 632	241 420	262 212	67.3	488
Ontario	800 206	347 553	452 653	65.4	597
Manitoba	76 154	36 062	40 092	65.5	487
Saskatchewan	95 911	40 234	55 677	96.4	361
Alberta	294 202	138 558	155 644	93.3	510
British Columbia	318 868	157 453	161 415	76.9	425
Yukon Territory	2 883	1 672	1 211	92.7	432
Northwest Territories	2 733	1 782	951	65.2	1 079
Nunavut	845	650	195	28.7	1 102
Canada Total	**2 228 572**	**1 047 132**	**1 181 440**	**70.5**	**518**

Source: Statistics Canada, Business Register, June 2003; National Income and Expenditure Accounts 2002; Estimates of Population by Age and Sex for Canada, the Provinces and the Territories, September 2003.

Note 1: The "indeterminate" category consists of incorporated or unincorporated businesses that do not have a CRA payroll deductions account. The work force of such businesses may consist of contract workers, family members and/or owners.

Relative to population, the western provinces, the Yukon and Prince Edward Island have more business establishments than elsewhere, with the highest rates in Saskatchewan and the Yukon at 96.4 and 92.7 per 1000 population, respectively. Nunavut, Newfoundland and Labrador, Nova Scotia and New Brunswick have the lowest ratios of business establishments per 1000 population. Ontario and Quebec are below the national average of 70.5, with 65.4 and 67.3 business establishments per 1000 people, respectively.

In terms of Gross Domestic Product (GDP) per business establishment by province, Nunavut shows the highest ratio at $1 102 000 per establishment (probably because this territory has the lowest number of establishments per 1000 residents and therefore its GDP is spread over fewer establishments). In fact, there is a discernible negative link between the number of establishments per 1000 inhabitants and the per-establishment GDP in the sense that a higher number of establishments per 1000 population

corresponds with a lower per-establishment GDP. Only the Northwest Territories is an exception to this rule with a relatively high GDP per establishment and a number of establishments per 1000 residents that is close to the national average.

Of the 1 047 132 employer businesses, slightly less than 3000 or about 0.3% have more than 500 employees. The vast majority of these businesses (98%) have fewer than 100 employees, 74% have fewer than 10 and 57% have only 1 to 4 employees (see Table 2).

Table 2: Number of Business Establishments by Sector and Firm Size (Number of Employees), June 2003

Number of Employees	Cumulative Percent of Employer Businesses	No. of Business Establishments		
		Total	Goods-producing Sector[2]	Service-producing Sector[2]
Indeterminate[1]		1 181 440	323 786	857 654
Employer Business Total	*100.0%*	*1 047 132*	*244 942*	*802 190*
1–4	56.9%	596 043	149 128	446 915
5–9	74.4%	182 892	36 445	146 447
10–19	86.3%	124 417	24 870	99 547
20–49	94.7%	88 444	19 369	69 075
50–99	97.7%	31 284	8 125	23 159
100–199	99.1%	14 433	4 247	10 186
200–499	99.7%	6 846	2 150	4 696
500+	100.0%	2 773	608	2 165
Grand Total		**2 228 572**	**568 728**	**1 659 844**

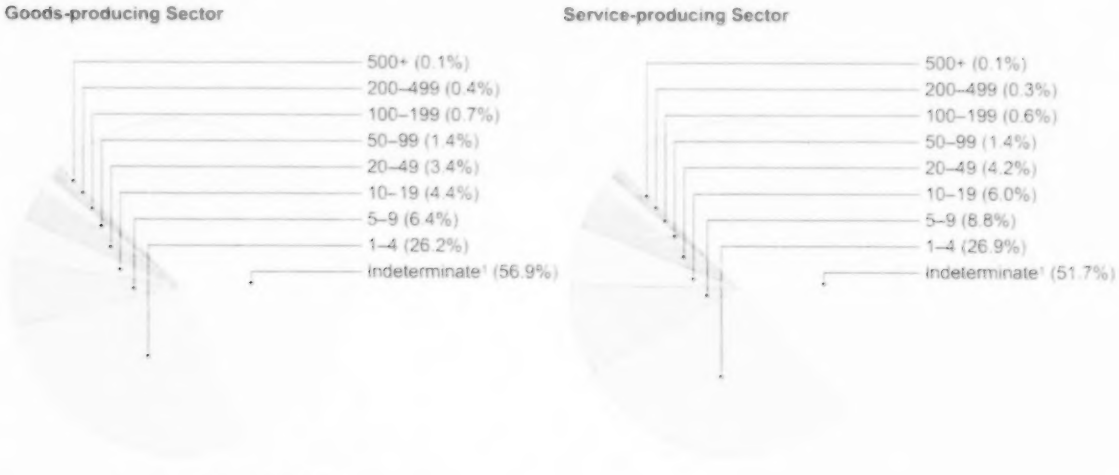
Source: Statistics Canada, Business Register, June 2003

Note 1: The "indeterminate" category consists of incorporated or unincorporated businesses that do not have a CRA payroll deductions account. The work force of such businesses may consist of contract workers, family members and/or owners.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

About one quarter of all business establishments (indeterminate and employer businesses alike) produce goods, while the remainder provide services. Small firms (those with fewer than 100 employees) make up 97% of goods-producing employer businesses and 98% of all service-producing employer businesses (Table 2 and Figure 1).

Figure 1: Distribution of Business Establishments in the Goods-producing and Service-producing Sectors by Firm Size (Number of Employees), June 2003



Source and notes: Table 2.

Table 3 shows the distribution of employer businesses by size of business establishment in each province and territory. Generally speaking, the distribution in the provinces is similar to the national average. However, there is some variation among the provinces and territories: for example, there is a higher percentage of micro-businesses (1 to 4 employees) in Quebec (62%) than in the territories (from 33% to 53%), Ontario (53%) or Manitoba (52%).

Table 3: Employer Businesses by Firm Size (Number of Employees) in Provinces and Territories, June 2003

	Employer Businesses										
		Percent of Total									
Provinces/Territories	**Total**	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	***Small <100***	**100–199**	**200–499**	***Medium 100–499***	**500+**
Newfoundland and Labrador	17 077	59.8	18.8	10.1	7.0	2.3	*98.0*	1.1	0.6	*1.7*	0.3
Prince Edward Island	6 880	55.0	20.0	12.8	8.2	2.4	*98.4*	1.0	0.5	*1.5*	0.1
Nova Scotia	30 894	54.7	17.9	13.1	9.0	2.9	*97.7*	1.5	0.6	*2.0*	0.3
New Brunswick	26 897	57.4	18.0	11.9	8.2	2.6	*98.1*	1.1	0.6	*1.7*	0.2
Quebec	241 420	62.2	16.4	9.9	6.9	2.5	*98.0*	1.2	0.6	*1.7*	0.3
Ontario	347 553	53.3	17.7	12.8	9.7	3.6	*97.1*	1.7	0.8	*2.6*	0.3
Manitoba	36 062	52.0	18.2	13.8	10.1	3.4	*97.5*	1.4	0.8	*2.1*	0.3
Saskatchewan	40 234	57.9	18.6	12.0	7.6	2.3	*98.4*	0.9	0.6	*1.5*	0.2
Alberta	138 558	57.3	17.2	12.1	8.4	2.9	*97.9*	1.3	0.6	*1.9*	0.2
British Columbia	157 453	57.8	17.8	11.9	8.0	2.7	*98.1*	1.2	0.5	*1.7*	0.2
Yukon Territory	1 672	52.7	19.4	13.5	9.5	2.7	*97.7*	1.3	0.8	*2.2*	0.1
Northwest Territories	1 782	40.2	21.3	17.9	13.3	4.2	*97.0*	2.0	1.0	*2.9*	0.1
Nunavut	650	32.8	21.5	18.2	18.2	5.8	*96.5*	2.6	0.8	*3.4*	0.2
Canada Total	**1 047 132**	**56.9**	**17.5**	**11.9**	**8.4**	**3.0**	***97.7***	**1.4**	**0.7**	***2.0***	**0.3**

Source: Statistics Canada, Business Register, June 2003.

Where are the self-employed in this count of businesses?

In short, everywhere. The designation "self-employed" is most commonly applied on the basis of the meaning used in Statistics Canada's *Labour Force Survey*, which is a count of the labour force (see **Who is self-employed?**). This section, on the other hand, provides counts of business establishments. It is easy to confuse the two because of the common perception that self-employed workers operate their own businesses. While this is generally true, the two are distinct counts. First, a business owned by a person who is identified as self-employed and who is on the payroll would be captured as an "employer business" in the appropriate size category (Tables 1 to 3). Similarly, the business of a self-employed owner, who is not on the payroll and has nobody else on the payroll, would be counted among the 1 million "indeterminate" business establishments. On the other hand, while many self-employed persons operate a business, many others do not, at least not in the sense of the term "business" as defined by the Business Register (see **How many businesses are there in Canada?**), and thus would not be included in the count of business establishments. It is not known to what degree there is a correspondence between the 2.2 million "business establishments" in Canada and the 2.3 million persons in the population who are identified as "self-employed." For more on self-employment, see **How many people are self-employed?** For more on small business employment based on payroll data, see **How many people work for small businesses?**

How many businesses appear and disappear each year?

Thousands of businesses enter and exit the marketplace throughout the year. Keeping track of these births and deaths is no easy matter. Our best source is Statistics Canada's Employment Dynamics, which compares businesses in a base year with those in the following year. If a business is observed to exist in the base year but not in the following year, it is considered an "exit" and vice versa for an "entry." While there may be other reasons why a business cannot be found in either year,[2] the data give a good overall picture of the turbulence of new and disappearing businesses.

The Employment Dynamics data are based on payroll deduction information issued by employers (T4 slips) and therefore cover only employer businesses. The most recent data available are for 1998–99. The counting unit of "employee" in Employment Dynamics is an Average Labour Unit (ALU), a derived unit obtained by dividing the total payroll in a business by the average annual earnings in a firm of that size class in the same industry and the same province. ALUs aim to measure the number of people, on average, who worked for a business in the course of a year, that is, the average level of employment in a business.

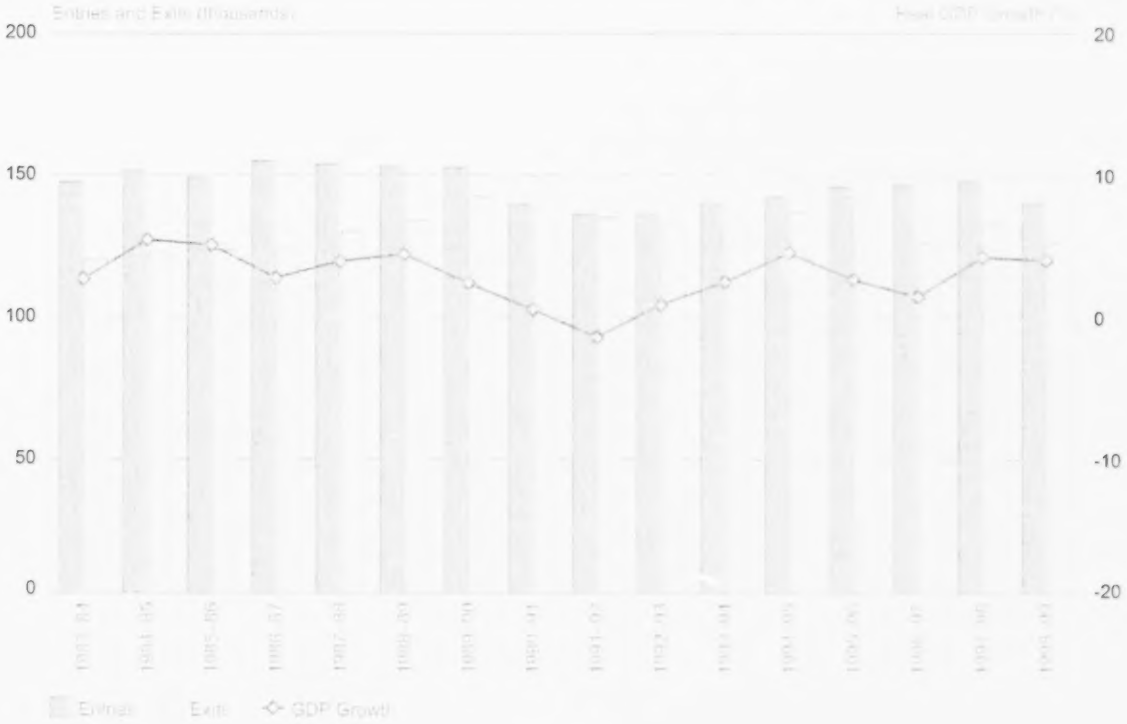
Figure 2 shows the number of SMEs (those with from 1 to 499 employees) that entered and exited the marketplace annually between 1983 and 1999. For most of the 1980s, the number of entries remained at around 150 000 per year, while the number of exits increased steadily to a record 150 000 in 1990–91, the only time the number of exits exceeded the number of entries. After a drop during the recession in the early 1990s, the number of entries again grew and stabilized close to the 150 000 level by the mid-1990s. From 1990–91, the number of exits varied but generally decreased. On a net basis, entries averaged approximately 27 500 annually from 1984 to 1988, were near zero in 1991–92, and remained low until 1996–97, when they again began approaching pre-recession levels.

Figure 2 also shows entries and exits in relation to real GDP growth, a measure of the state of the economy. The business cycle is a key explanation for the variation of entries and exits over time. The number of entries increases when the economy expands and drops in a slow-down, while the number of exits is inversely related to the state of the economy.

Entry and exit data by province show that Ontario and Quebec account for much of the volatility in net entries. They had positive net entries except for the early 1990s, while British Columbia and Alberta had positive net entries for the entire period. The Maritime provinces, Prairie provinces and northern territories experienced positive net entries through most of the 1980s, but negative net entries during most of the 1990s.

2. Reorganization in a firm may involve name changes, mergers, a division of existing payroll accounts or more. To the greatest extent possible, false signals about deaths and births are deleted from the data. A legitimate firm death can occur in certain merger cases, as a result of an owner's decision to cease operations, because the firm has gone bankrupt, or for a number of other reasons. For more on bankruptcies, see **Bankruptcy statistics**.

Figure 2: Entries and Exits of Canadian Businesses up to 500 Employees, and GDP Growth, 1983–84 to 1998–99



Source: Statistics Canada, Employment Dynamics, 1983–1999; National Income and Expenditure Accounts.

Bankruptcy statistics

Only a small proportion of firms that exit the marketplace end up filing for bankruptcy. On average over the last 13 years, there have been approximately 12 000 business bankruptcies per year in Canada. They gradually increased from about 11 000 in 1990 to a peak of more than 14 000 in 1996. Since then, business bankruptcies have been on the decline, to about 8800 in 2003.

More detailed statistics on business bankruptcies and the liabilities involved are regularly reported in Industry Canada's *Small Business Quarterly*, and are also available on the Web site of the Office of the Superintendent of Bankruptcy at **http://osb-bsf.gc.ca**.

How long do small businesses survive?

How long a business stays in business is influenced by many different factors. Geographic location, type of industry, size and age are some predictable factors in how long a business stays active. Unforeseen factors also affect survival of a business, including such market influences as the number and size of competitors and new entrants, as well as general economic conditions.

One way to answer the question of how long small businesses survive is to determine the probability of survival based on predictable factors. It is a more useful way than determining the average age of businesses because the majority of start-up firms do not operate for very long. The probability of survival is defined as the percentage of new firms that continue to operate when they reach a given age. Table 4 presents the survival rates from start-up, by region, for two sizes of business: micro-enterprises (those with fewer than 5 employees) and other small employer businesses (those with 5 to 99 employees). The table is based on firms that entered the market from 1984 to 1995; therefore, the highest age observable was 11 years. As an example, the table indicates that 30% of micro-enterprise entrants in the Atlantic provinces stayed in business for at least four years.

The percentage of new firms that remain in business after one, two or three years declines rapidly. That is to say, failure rates are high the first few years after start-up. This is even more true for micro-enterprises than for other small businesses — beyond the first three years, survival rates of micro-enterprises continue to be well below those of other small firms. The likelihood that micro-enterprises require less investment could induce these firms to take more risks, which may explain the higher probability of exit.

The survival rates of micro-enterprises at any age are consistently lowest in the Atlantic region and among the lowest for other small firms. Small-firm survival rates are also lower in the Prairie provinces. The survival rates in Quebec, Ontario and British Columbia are very similar for all ages and both sizes of small firms (fewer than 5 employees and from 5 to 99 employees).

Table 4: Survival Rates of Micro-enterprises and Other Small Employer Businesses, by Region, Size and Age of Business (Percent), 1984–95

AGE (years)	Micro-enterprises (<5 employees)					Other Small Employer Businesses (5–99 employees)				
	ATLANTIC	QUE	ON	PRAIRIE	BC	ATLANTIC	QUE	ON	PRAIRIE	BC
1	61%	74%	78%	72%	76%	86%	90%	91%	89%	91%
2	45%	58%	62%	56%	59%	74%	78%	79%	75%	78%
3	37%	47%	50%	46%	48%	65%	68%	69%	65%	68%
4	30%	40%	42%	39%	40%	58%	61%	61%	57%	61%
5	26%	34%	36%	33%	34%	52%	54%	55%	51%	55%
6	22%	30%	31%	29%	30%	47%	49%	49%	46%	50%
7	19%	26%	27%	25%	26%	43%	44%	44%	42%	46%
8	17%	23%	24%	22%	23%	39%	41%	40%	39%	43%
9	15%	21%	21%	20%	21%	36%	38%	37%	36%	39%
10	13%	19%	19%	18%	19%	34%	35%	33%	33%	36%
11	12%	17%	17%	16%	17%	30%	32%	31%	30%	34%

Source: J. Baldwin, L. Bian, R. Dupuy and G. Gellatly, *Failure Rates for New Canadian Firms: New Perspectives on Entry and Exit*, Statistics Canada, 2000.

How many people work for small businesses?

To best answer this question, it is necessary to look at business establishments as part of the larger enterprise to which they belong, where applicable. Statistics Canada defines a business enterprise as "a family of businesses under common ownership and control for which a set of consolidated financial statements is produced on an annual basis." Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH) covers employer businesses in Canada and reports the number of employees at the enterprise level. Self-employed persons who are not on a payroll are not included in these figures, nor are employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Firms are grouped into seven size categories: those with fewer than 4 employees; and those with from 5 to 19; from 20 to 49; from 50 to 99; from 100 to 299; from 300 to 499; and 500 and more employees.

According to SEPH data shown in Table 5, on average in 2002 close to 5.0 million employees on payroll, or 49% of the total private labour force,[3] worked for small enterprises (those with fewer than 100 employees). Another 1.6 million, or 16%, worked for medium-sized enterprises (those with 100 to 499 employees). In total, therefore, SMEs employed close to 6.6 million or 65% of all employees in the private sector covered by SEPH.

The distribution of employment by size of firm varies considerably across industries. As shown in Table 5 and Figure 3, small businesses account for over two thirds of employment in the health care sector (90%), construction industry (78%), other services (74%), and accommodation and food (69%). In another six industries more than half the work force is employed by small businesses. Lastly, in terms of the total number of employees, industries that had the largest number of employees working for small firms were, in order of magnitude, retail trade (0.78 million), manufacturing (0.65 million), accommodation and food (0.66 million), construction (0.48 million) and wholesale trade (0.41 million), which together accounted for over 60% of all jobs in small firms in Canada.

3. Private sector employment in the SEPH data was identified with the aid of *Employment Dynamics and Small Business Profiles* data for corresponding years and by projecting trends for more recent years. A technical note on the methodology used in this process is available and can be obtained by contacting **Customer Services** at **prg-sbpb@ic.gc.ca**. In addition to the industries excluded from SEPH, data shown in Table 5 and Figure 3 exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners) and beer and liquor stores.

Table 5: Number of Private Sector Employees by Industry and Size of Business Enterprise, 2002[1]

		Size of Business Enterprise (No. of Employees)								
Industry	**Total[2]**	**0–4**	**5–19**	**20–49**	**50–99**	***Small (<100)***	**100–299**	**300–499[2]**	***Medium (100–499)[2]***	***Large (500+)[2]***
Forestry[2]	62 312	10 766	14 331	8 039	4 298	*37 432*	3 819	—	—	—
Mining	139 827	7 107	12 501	10 065	8 525	*38 198*	15 095	6 713	*21 808*	*79 823*
Utilities[3]	101 186	80	444	578	646	*1 748*	4 073	1 615	*5 688*	*93 750*
Construction	614 618	119 737	188 360	108 148	60 438	*476 683*	53 638	13 190	*66 829*	*71 106*
Manufacturing	2 051 980	46 924	175 129	219 853	211 915	*653 821*	343 991	143 118	*487 109*	*911 050*
Wholesale Trade	737 008	55 978	144 464	123 513	88 713	*412 667*	106 824	35 502	*142 326*	*182 015*
Retail Trade	1 550 141	123 097	285 557	205 428	168 214	*782 296*	138 582	28 922	*167 504*	*600 341*
Transportation and Warehousing[3]	509 206	44 954	69 397	56 289	41 547	*212 187*	60 523	18 294	*78 816*	*218 203*
Information and Cultural	347 780	10 196	23 266	21 491	17 816	*72 769*	28 604	16 922	*45 526*	*229 486*
Finance and Insurance	568 838	26 483	40 494	38 003	28 745	*133 725*	40 848	19 468	*60 316*	*374 797*
Real Estate and Rental	227 985	38 071	52 992	30 257	21 086	*142 406*	26 003	7 900	*33 903*	*51 675*
Professional Services	655 627	120 820	135 355	87 259	55 928	*399 362*	68 461	30 653	*99 114*	*157 152*
Management of Companies and Enterprises[2]	89 191	13 333	13 708	10 741	6 759	*44 541*	10 054	—	—	—
Administration, Waste Management	562 762	45 898	83 774	62 669	49 009	*241 349*	83 885	41 020	*124 905*	*196 508*
Health[3]	196 123	71 400	79 856	19 317	5 316	*175 888*	2 114	1 061	*3 175*	*17 060*
Arts, Entertainment and Recreation	232 444	13 902	38 576	37 350	28 993	*118 821*	35 496	13 663	*49 159*	*64 464*
Accommodation and Food	957 232	52 723	227 063	217 874	158 259	*655 919*	126 101	30 487	*156 588*	*144 726*
Other Services	489 717	101 026	154 847	66 812	38 442	*361 127*	46 701	16 726	*63 427*	*65 163*
Industry Aggregate Total[2]	**10 093 977**	**902 494**	**1 740 113**	**1 323 684**	**994 647**	***4 960 937***	**1 194 809**	**429 953**	***1 624 762***	***3 508 277***

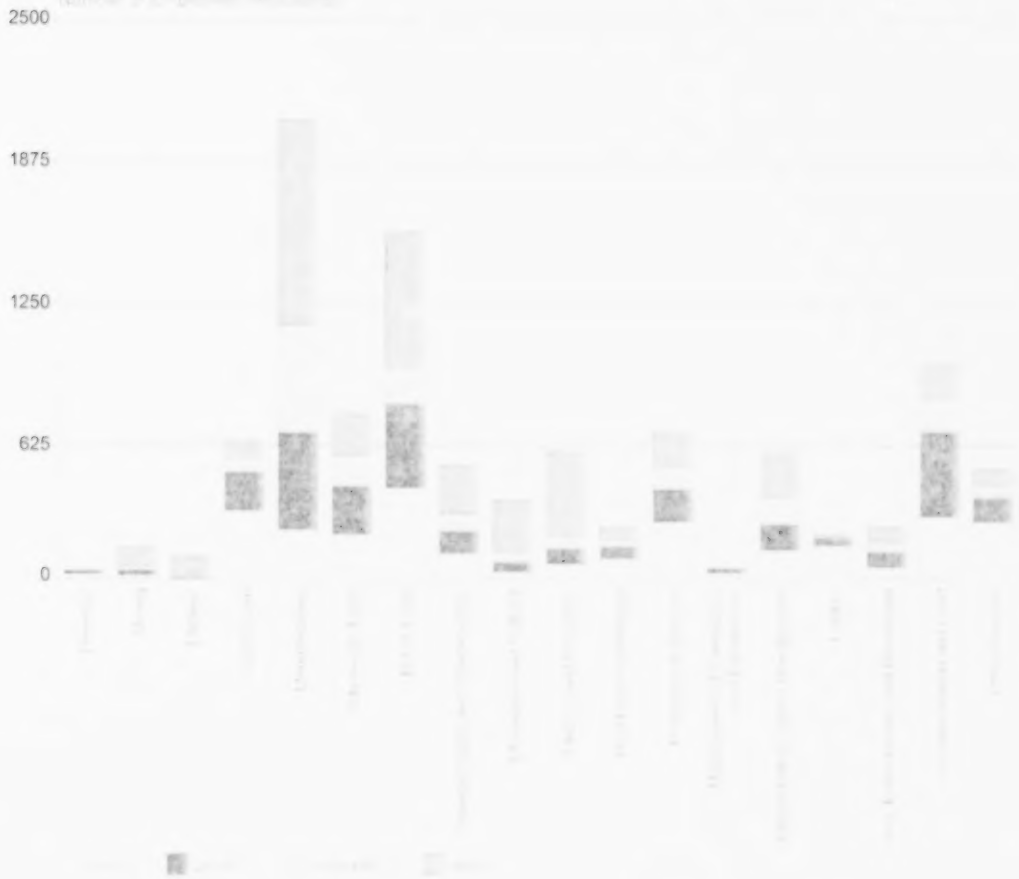
Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), September 2003, and calculations by Industry Canada. Industry data are classified in accordance with Statistics Canada's NAICS.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

Note 2: In the forestry and company/enterprise management industries, data for firms with 300 or more employees were suppressed for confidentiality reasons but were included in the totals for each industry and business size (300–499, medium and large).

Note 3: Besides the data excluded from the SEPH, the data shown in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners) and beer and liquor stores. Industry Canada's *Small Business Quarterly* regularly publishes data similar to those in Table 5, but without excluding public sector employment. A technical note on the separation of public and private sector employment is available and can be obtained by contacting **Customer Services** at **prg-sbpb@ic.gc.ca**.

Figure 3: Number of Private Sector Employees by Industry and Size of Business Enterprise, 2002[1]



Source and notes: Table 5.

How many jobs do small businesses create?

The data that make it possible to answer this question are derived from Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH), and are regularly published in *Small Business Quarterly*. SEPH data exclude self-employed workers who are not on a payroll. Other limitations also apply (see **How many people work for small businesses?**). The historical data for the period from 1994 to 2000 are obtained by dividing the annual employment data by the distribution based on business size. Recently, Statistics Canada began to publish more detailed quarterly employment data by business size, also derived from SEPH.

Table 6 and Figure 4 display the relative contribution to net year-over-year change in private sector paid employment by small, medium, and large businesses from 1994 to 2002. Over the years, the relative contribution in terms of size has varied greatly. During the period under review, each of the business-size categories played the leading role at different times in net job creation in Canada. For five years, in 1996 and 1997 and from 2000 to 2002, small businesses made the greatest contribution to net job creation. On the other hand, at the beginning of this period, in 1994 and 1995, medium-sized businesses created the most jobs, and in 1998 and 1999, large businesses played the leading job-creation role.

A significant limitation of the data is that they cover a generally expansionary period, with only a mild downturn in 1995–96. In a more severe downturn or a recession, the percentage contributions to job creation (or loss) by smaller businesses may be quite different.

Table 6: Percent Contribution to the Net Change in Private Sector Paid Employment by Size of Business Enterprise (Annual Averages), 1994–2002[1,2]

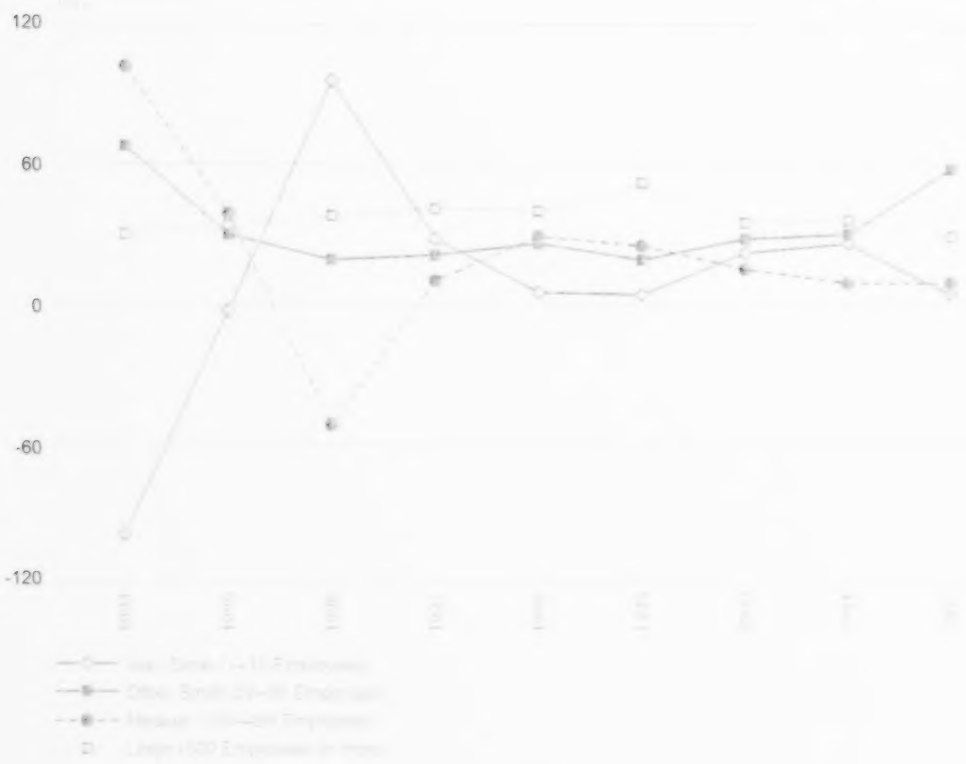
	Size of Business (Number of Employees)						
Year	**0–4**	**5–19**	**20–49**	**50–99**	***Small (<100)***	***Medium (100–499)***	***Large (500+)***
1994	-7%	-92%	21%	46%	*-32%*	*102%*	*30%*
1995	2%	-5%	7%	23%	*27%*	*39%*	*34%*
1996	8%	88%	38%	-20%	*114%*	*-52%*	*38%*
1997	3%	25%	11%	10%	*49%*	*10%*	*41%*
1998	2%	3%	14%	12%	*31%*	*29%*	*40%*
1999	4%	-1%	9%	11%	*23%*	*25%*	*52%*
2000	4%	18%	17%	11%	*50%*	*15%*	*35%*
2001	16%	9%	17%	13%	*55%*	*9%*	*36%*
2002	-2%	5%	28%	31%	*62%*	*9%*	*29%*

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), September 2003 and calculations by Industry Canada. Historical data are frequently revised, and as of 2000 are available on a North American Industrial Classification System (NAICS) basis. Updates for the total economy covered by SEPH are regularly published in *Small Business Quarterly*.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners) and beer and liquor stores.

Note 2: Differences between these data and those published in the May 2003 version of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is the result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at **prg-sbpb@ic.gc.ca**.

Figure 4: Percent Contribution to the Net Change in Private Sector Paid Employment by Size of Business Enterprise, 1994–2002



Source and notes: Table 6

Table 7 and Figure 5 show year-over-year quarterly changes in paid employment, starting in the first quarter of 2001, by business size. These data indicate that total private sector jobs continued to increase over the eight consecutive quarters since the first quarter of 2001. However, up to the first quarter of 2002, they increased at an ever slower rate — by the first quarter of 2002, net job gain was less than one fourth of that in the second quarter of 2001. This trend was reversed in the second quarter of 2002 and, since then, the annual change in total number of employees has grown at an increasing rate.

In the first quarter of 2001, large businesses were responsible for over half of the net job growth. However, in all subsequent quarters, more jobs appeared in small businesses than in either large or medium-sized firms. During this period, when net job creation was at its lowest (the last quarter of 2001 and the first quarter of 2002), small firms contributed a whopping 156% and 102% of jobs, compensating for negative contributions, primarily by medium-sized businesses. Small businesses with more than 20 but fewer than 100 employees showed a robust contribution to job creation throughout the period.

Table 7: Year-over-year Net Private Sector Paid Employment Change, and Percent Contribution by Size of Business Enterprise, Quarterly, 2001 Q1 to 2002 Q4[1,2,3,4]

		Net Private Sector Paid Employment Change by Size of Business								
Year and Quarter	**Total Net Change**	**0–4**	**5–19**	**20–49**	**50–99**	***Small (<100)***	**100–299**	**300–499**	***Medium (100–499)***	**Large (500+)**
2001 Q1	403 818	43 723	6 390	40 057	28 800	*118 971*	54 786	20 054	*74 839*	210 014
Q2	292 905	6 768	31 836	45 188	42 546	*126 338*	42 646	8 221	*50 866*	115 702
Q3	198 554	67 811	9 763	41 221	38 778	*157 574*	13 700	-3 622	*10 078*	30 912
Q4	95 191	43 158	45 031	43 328	16 524	*148 040*	-19 415	-30 206	*-49 621*	-3 233
2002 Q1	94 904	-6 611	29 255	41 235	32 823	*96 701*	-3 720	-22 300	*-26 020*	24 218
Q2	207 549	-1 908	8 038	71 596	77 650	*155 377*	41 492	-27 185	*14 307*	37 862
Q3	312 433	-2 892	4 158	76 225	91 048	*168 539*	71 434	-23 020	*48 414*	95 469
Q4	393 531	-4 474	10 535	91 084	105 266	*202 411*	68 506	-13 990	*54 517*	136 608
		% Contribution to Private Sector Employment Change by Size of Business								
2001 Q1	100%	10.8%	1.6%	9.9%	7.1%	*29.4%*	13.6%	5.0%	*18.6%*	52.0%
Q2	100%	2.3%	10.9%	15.4%	14.5%	*43.1%*	14.6%	2.8%	*17.4%*	39.5%
Q3	100%	34.2%	4.9%	20.8%	19.5%	*79.4%*	6.9%	-1.8%	*5.1%*	15.5%
Q4	100%	45.3%	47.3%	45.5%	17.4%	*155.5%*	-20.4%	-31.7%	*-52.1%*	-3.4%
2002 Q1	100%	-7.0%	30.8%	43.4%	34.6%	*101.8%*	-3.9%	-23.5%	*-27.4%*	25.6%
Q2	100%	-0.9%	3.9%	34.5%	37.4%	*74.9%*	20.0%	-13.1%	*6.9%*	18.2%
Q3	100%	-0.9%	1.3%	24.4%	29.1%	*53.9%*	22.9%	-7.4%	*15.5%*	30.6%
Q4	100%	-1.1%	2.7%	23.1%	26.7%	*51.4%*	17.4%	-3.6%	*13.8%*	34.8%

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), September 2003 and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data shown in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners) and beer and liquor stores.

Note 2: Statistics Canada cautions that data by firm size produced for quarters prior to year 2001 were estimated from the previous data based on the 1980 SIC and then backcasted on the new NAICS classification. Especially in the smallest size categories more volatility in the data for this period should be expected as a result.

Note 3: Differences between these data and those published in the May 2003 version of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is the result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at **prg-sbpb@ic.gc.ca**.

Note 4: Minor discrepancies between total net employment change and the sum of changes by size are largely due to small differences between aggregate and the sum of disaggregated source data.

Figure 5: Percent Contribution to Year-over-year Net Private Sector Employment Change, by Size of Business Enterprise, Quarterly, 2001 Q1 to 2002 Q4[1,2,3,4]

Source and notes: Table 7.

How much do employees of small businesses earn?

Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH) publishes average weekly earnings at the enterprise level based on weekly payroll data. Data include gross pay, as well as overtime and bonuses, commissions and other special payments, before major deductions such as income taxes, employment insurance contributions, etc., but exclude taxable allowances and benefits, and employer contributions to employment insurance, pension plans and other welfare plans. Average weekly earnings are derived by dividing total weekly payrolls by payroll employment (see **How many people work for small businesses**). SEPH excludes self-employed persons not on a payroll, and does not cover the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data shown below also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners) and beer and liquor stores.

In 2002, an average worker in Canada's private sector earned approximately $690 per week (Table 8 and Figure 6). Generally, employees' weekly earnings were positively related to the size of the business: employees working for businesses with fewer than 100 employees earned below the average with weekly earnings of $590, whereas those working for medium-sized firms (more than 100 but fewer than 500 employees) and large firms (more than 500 employees) earned above the average with weekly earnings of $710 and $770 respectively. In service sector firms with 5 to 19 employees, however, weekly earnings were lower than in smaller enterprises in this sector. This is primarily due to the fact that 40% of total employment in these firms is found in the three lowest-paying industries, namely retail trade; accommodation and food services; and arts, entertainment and recreation.

On average in 2002, employees in the goods-producing sector were paid $250 more per week than those working in the service-producing sector. The difference in earnings between the two sectors was greatest in large firms, at about $320 per week, or an annual average differential of $16 600. However, goods-producing employees also worked longer hours, so on a per-hour basis the difference in earnings would be less pronounced.

Table 8: Average Weekly Earnings by Firm Size (Number of Employees) in the Private Sector, 2002[1]

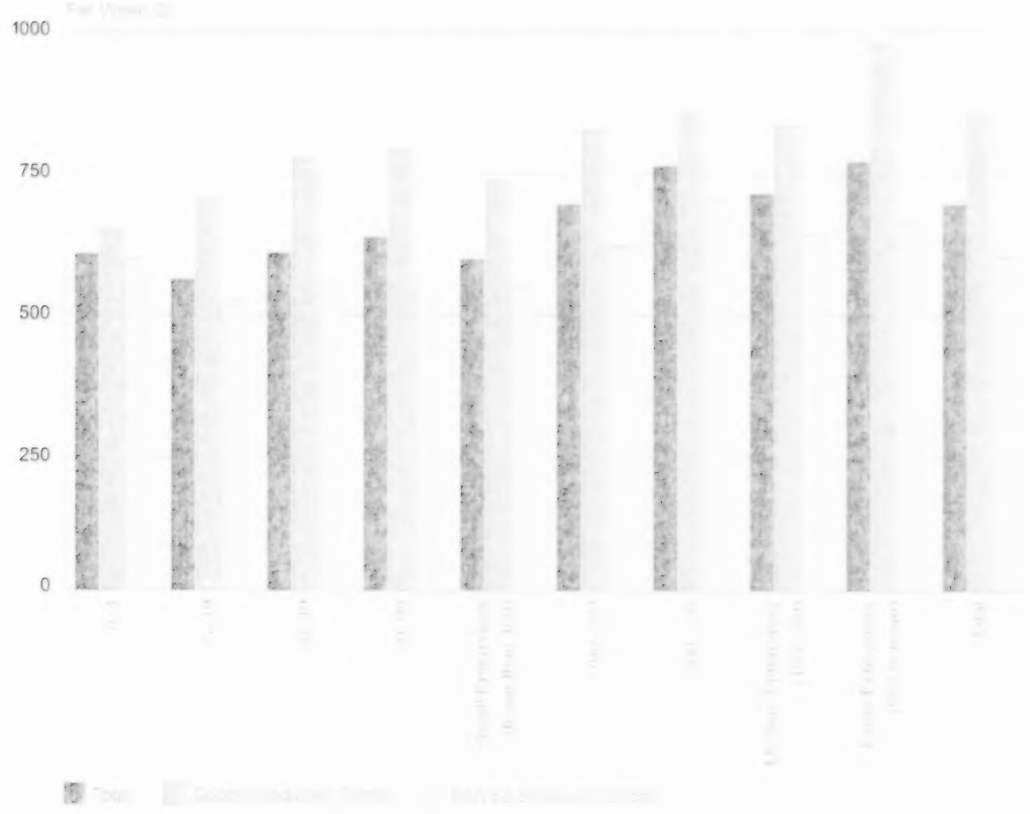
Number of Employees	Private Sector	Goods-producing Sector[2]	Service-producing Sector[2]
0–4	$601.26	$644.73	$591.41
5–19	$556.31	$699.84	$516.52
20–49	$603.48	$771.74	$543.09
50–99	$631.52	$790.10	$567.77
Small Enterprises (fewer than 100)	*$592.12*	*$733.41*	*$547.43*
100–299	$691.29	$824.38	$617.03
300–499	$759.95	$855.96	$702.82
Medium Enterprises (100–499)	*$709.41*	*$833.27*	*$638.82*
Large Enterprises (500 or more)	*$767.17*	*$978.61*	*$659.76*
Average	**$691.55**	**$849.98**	**$598.17**

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), September 2003 and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners) and beer and liquor stores. A technical note on the separation of public and private sector employment is available and can be obtained by contacting **Customer Services** at **prg-sbpb@ic.gc.ca**.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of NAICS codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

Figure 6: Average Weekly Earnings in the Goods-producing and Service-producing Sectors by Firm Size, 2002[1,2]



Source and notes: Table 8.

What is the contribution of small businesses to Canada's Gross Domestic Product?

Gross Domestic Product (GDP) is a key measure of economic production. It can be used to compare any two industries' value added. Value added is the value that an industry, through its activities, adds to its inputs. The main advantage of the GDP concept is that it avoids double-counting. Because it measures unduplicated value added, GDP is considered more useful for gauging economic performance than, say, revenue, business counts or even employment.

The Organisation for Economic Cooperation and Development (OECD) has published estimates of the contribution to GDP by small businesses in member countries. Its 2000 Canada profile (based on 1998 data) states that 43% of private sector GDP can be attributed to SMEs, where SMEs are defined as businesses with fewer than 500 employees.

In Canada, the Government of British Columbia's statistical service (BC Stats) has developed a method to determine the small business contribution to GDP by province, using the income-based approach of the System of National Accounts.[4] The percentage of small business's contribution to GDP for Canada and each province from 1993 to 2002 is shown in Table 9.

BC Stats' definition of small business is limited to businesses with fewer than 50 employees, plus those operated by the self-employed with no paid employees. By this definition, it is estimated that, in 2002, small businesses accounted for approximately 25% of Canada's GDP. The percentage varies from a low of 16% in Newfoundland and Labrador to a high of 31% on Prince Edward Island.

4. A background note describing the method in somewhat greater detail is available upon request: please contact **Customer Services** at **prg-sbpb@ic.gc.ca**.

Table 9: Small Business Contribution to GDP by Province, 1993 to 2002[1]

	Contribution to GDP (percent)									
Province	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
British Columbia	32	31	32	31	30	29	27	28	30	30
Alberta	26	25	28	26	26	27	24	21	24	26
Saskatchewan	29	27	29	31	26	27	25	22	25	23
Manitoba	24	24	25	26	24	22	21	22	24	23
Ontario	22	22	24	23	22	22	22	23	24	24
Quebec	26	26	27	26	24	23	23	25	26	26
New Brunswick	26	25	27	25	24	23	22	23	25	25
Nova Scotia	24	24	27	26	24	23	22	25	26	25
Prince Edward Island	34	33	34	28	27	26	25	29	29	31
Newfoundland and Labrador	21	20	21	21	21	19	17	17	19	16
Canada	**25**	**24**	**26**	**25**	**24**	**24**	**23**	**23**	**25**	**25**

Source: BC Stats

Note 1: In these data small businesses comprise businesses with fewer than 50 employees, plus those operated by the self-employed with no paid employees.

Who is self-employed?

Self-employed workers are people who earn income directly from their own business, trade or profession rather than earn a specified salary or wage from an employer. Statistics Canada defines the self-employed as working owners of an unincorporated or incorporated business, persons who work on their own account but do not have a business and persons working without pay in a family business.

How many people are self-employed?

In 2003, self-employed workers represented approximately 14% of the total labour force in the Canadian economy. The number of self-employed peaked at about 2.5 million in 1999 and stood at just over 2.4 million in the fourth quarter of 2003 (Table 10). In recent years, slightly over one third of self-employed workers have been female; the share of female self-employment rose steadily from 1976 to 1998, from 26% to 36%, and has remained at around 35% since 1999.

Table 10: Total Number of Self-employed Persons (Thousands) by Sex, Yearly and Quarterly, 1976–2003[1]

Year and Quarter		Total	Male	% of Total	Female	% of Total
1976		1 193.3	879.3	74%	313.9	26%
1977		1 226.2	892.8	73%	333.4	27%
1978		1 283.6	924.6	72%	359.1	28%
1979		1 336.2	951.3	71%	384.9	29%
1980		1 385.9	986.3	71%	399.6	29%
1981		1 442.5	1 031.6	72%	410.9	28%
1982		1 503.7	1 069.9	71%	433.8	29%
1983		1 551.3	1 099.6	71%	451.8	29%
1984		1 569.0	1 095.4	70%	473.6	30%
1985		1 685.1	1 162.8	69%	522.3	31%
1986		1 656.0	1 164.6	70%	491.5	30%
1987		1 695.6	1 183.2	70%	512.5	30%
1988		1 772.2	1 231.2	69%	541.0	31%
1989		1 803.4	1 242.5	69%	560.9	31%
1990		1 842.7	1 265.7	69%	577.0	31%
1991		1 887.4	1 303.9	69%	583.4	31%
1992		1 919.3	1 309.0	68%	610.3	32%
1993		2 027.1	1 372.3	68%	654.8	32%
1994		2 036.3	1 356.0	67%	680.2	33%
1995		2 097.8	1 391.6	66%	706.2	34%
1996		2 169.4	1 426.4	66%	743.0	34%
1997		2 353.7	1 524.5	65%	829.2	35%
1998		2 425.2	1 562.2	64%	863.0	36%
1999		2 462.9	1 600.5	65%	862.4	35%
2000		2 421.4	1 568.5	65%	852.8	35%
2001		2 309.2	1 525.9	66%	783.3	34%
2002		2 346.0	1 525.2	65%	820.7	35%
2003		2 412.7	1 586.7	66%	826.0	34%
2001	Q1	2 305.0	1 520.5	66%	784.5	34%
	Q2	2 324.3	1 534.8	66%	789.6	34%
	Q3	2 319.9	1 550.2	67%	769.8	33%
	Q4	2 287.5	1 498.3	65%	789.2	35%
2002	Q1	2 274.7	1 475.6	65%	799.1	35%
	Q2	2 345.6	1 527.9	65%	817.7	35%
	Q3	2 381.0	1 556.3	65%	824.7	35%
	Q4	2 382.7	1 541.3	65%	841.4	35%
2003	Q1	2 359.8	1 542.5	65%	817.2	35%
	Q2	2 408.4	1 595.2	66%	813.1	34%
	Q3	2 450.1	1 608.9	66%	841.2	34%
	Q4	2 432.7	1 600.3	66%	832.4	34%

Source: Statistics Canada, *Labour Force Survey*, January 2004.

Note 1: Figures for men and women may not add up to total due to rounding.

Table 11 shows a breakdown of the self-employed in five categories from 1976 to 2003. On average in 2003, of 2.4 million self-employed workers, 64.9% had no paid help, 33.6% worked with paid help and 1.5% were unpaid family workers. Both self-employed workers with and without paid help are further categorized according to whether their businesses[5] were incorporated or not. Of those who worked without paid help, 1.2 million or 77% were unincorporated; this category accounted for half the total number of self-employed in Canada.

The number of self-employed persons in 2003 was 2.8% greater than in 2002. All sub-categories that make up this overall category showed higher numbers, except for independent workers with unincorporated businesses and paid employees, whose numbers decreased by 1.8%.

5. While the term "incorporated activities" generally refers to businesses, this is not necessarily the case when we speak of "unincorporated activities." According to the definition used by Statistics Canada's *Labour Force Survey*, self-employed workers involved in unincorporated activities are "active owners of a business, farm or unincorporated professional office and independent workers who do not have a business as such (childcare workers, newspaper delivery agents, etc.)."

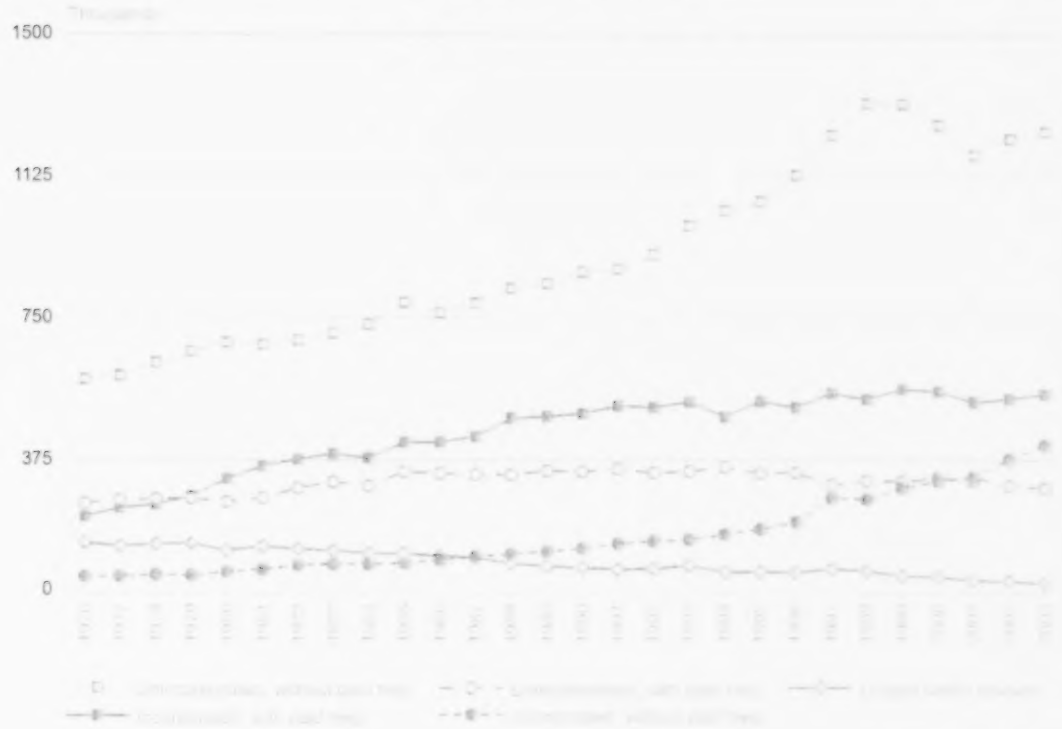
Table 11: Average Annual Number of Self-employed Persons by Category (Thousands) 1976–2003, and Average Annual Growth Rates (Percent), 1977–2003

		With Paid Help			Without Paid Help			Unpaid Family Workers
Year	Total	Total	Incorporated	Unincorporated	Total	Incorporated	Unincorporated	
1976	**1 193.3**	444.3	204.8	239.5	613.7	45.5	568.2	135.3
1977	**1 226.3**	475.8	227.4	248.4	624.0	45.9	578.1	126.5
1978	**1 283.6**	488.1	236.9	251.2	663.4	50.1	613.3	132.1
1979	**1 336.3**	511.0	257.9	253.1	691.4	49.1	642.3	133.9
1980	**1 385.9**	547.1	304.2	242.9	724.5	58.2	666.3	114.3
1981	**1 442.7**	591.5	337.7	253.8	725.1	64.8	660.3	126.1
1982	**1 503.7**	636.4	356.3	280.1	748.8	76.3	672.5	118.5
1983	**1 551.4**	667.4	370.9	296.5	769.6	78.9	690.7	114.4
1984	**1 569.1**	644.7	358.9	285.8	817.0	78.5	738.5	107.4
1985	**1 685.1**	725.0	401.2	323.8	853.7	81.9	771.8	106.4
1986	**1 656.1**	720.8	401.9	318.9	834.8	89.4	745.4	100.5
1987	**1 695.6**	732.0	416.9	315.1	868.2	98.6	769.6	95.4
1988	**1 772.2**	780.4	465.1	315.3	910.9	101.5	809.4	80.9
1989	**1 803.5**	795.5	469.7	325.8	934.5	112.0	822.5	73.5
1990	**1 842.7**	801.2	477.7	323.5	973.0	120.5	852.5	68.5
1991	**1 887.3**	828.6	497.5	331.1	993.7	132.6	861.1	65.0
1992	**1 919.3**	813.8	493.6	320.2	1 039.2	140.1	899.1	66.3
1993	**2 027.0**	832.9	508.4	324.5	1 119.1	144.0	975.1	75.0
1994	**2 036.1**	805.1	469.2	335.9	1 173.0	157.4	1 015.6	58.0
1995	**2 097.8**	829.8	510.5	319.3	1 210.1	170.5	1 039.6	57.9
1996	**2 169.4**	813.9	493.0	320.9	1 299.2	189.8	1 109.4	56.3
1997	**2 353.7**	819.3	530.9	288.4	1 469.2	253.6	1 215.6	65.2
1998	**2 425.2**	814.8	515.4	299.4	1 549.8	250.4	1 299.4	60.6
1999	**2 462.8**	838.7	541.9	296.8	1 577.6	279.6	1 298.0	46.5
2000	**2 421.4**	840.0	534.9	305.1	1 538.1	297.0	1 241.1	43.3
2001	**2 309.2**	805.4	506.5	298.9	1 469.7	308.0	1 161.7	34.1
2002	**2 346.1**	803.4	511.0	292.4	1 508.8	327.7	1 181.1	33.9
2003	**2 412.8**	810.7	523.7	287.0	1 566.5	355.3	1 211.2	35.6
				Average Annual Growth Rate, 1977–2003				
	2.6%	2.3%	3.5%	0.7%	3.5%	7.9%	2.8%	-4.8%

Source: Statistics Canada, *Labour Force Survey*, January 2004.

As shown in Figure 7, the various categories of self-employed workers experienced slightly different growth rates from 1976 to 2003, which means that the relative importance of these various categories changed slightly over time. The total number of self-employed workers in Canada increased at an annual rate of 2.6% during this period. Self-employed workers owning incorporated businesses registered the highest growth rates — 7.9% in businesses without paid employees and 3.5% in businesses with paid employees. A third category also showed a relative increase — 2.8% for self-employed workers owning unincorporated businesses with no paid employees. Lastly, two categories experienced growth rates below the 2.6% average rate for the group as a whole, which meant that their relative importance in the overall category of self-employed workers diminished. These two sub-groups were self-employed workers owning unincorporated businesses with paid employees (0.7%), and unpaid family workers (-4.8%).

Figure 7: Self-employed Persons (Thousands), by Category 1976–2003



Source: Table 11.

How has self-employment contributed to job creation?

Generally, the increasing trend toward self-employment has supported total employment growth. Positive contributions to total net employment growth in the private sector have ranged from 3% to almost 200% per year between 1977 and 2003 (Table 12 and Figure 8).[6] During that time there have been just three years (1986, 2000 and 2001) when the net change in self-employment was negative. In 1982 and 1991–92, self-employment grew strongly, while total employment growth turned negative due to economic recessions. It is interesting to note that the two greatest changes in the number of self-employed persons relative to the overall change in private sector employment occurred at the end of these recessions (in 1983 and 1993) — 197% in 1983 and 127% in 1993. This is because, when job market conditions tighten, people who cannot find suitable employment tend to start their own businesses and become self-employed.

6. In Table 12, employment in the private sector is defined as the total of self-employed workers and private sector employees, regardless of business size. The definition of private sector employees in the *Labour Force Survey* used in Table 12 is not identical to the definition in the *Survey of Employment, Payrolls and Hours* data in Tables 5 to 7 but the differences are minor.

Table 12: Net Private Sector Total Employment Change and Net Self-employment Change, Year-over-year, Thousands and Percent, 1977–2003[12]

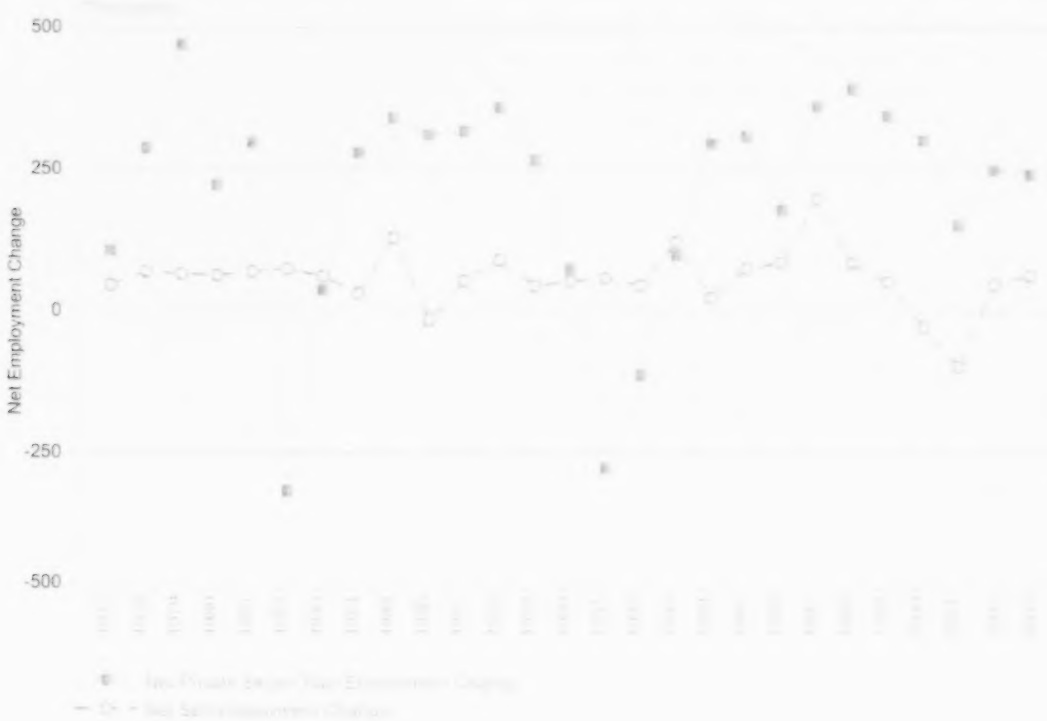
Year	Private Sector Total Net Employment Change (Thousands)	Private Sector Employees		Self-employed Persons	
		Net Change (Thousands)	% of Total Private Sector Employment Change	Net Change (Thousands)	% of Total Private Sector Employment Change
1977	94.1	61.2	65%	33.0	35%
1978	274.7	217.3	79%	57.4	21%
1979	457.8	405.2	89%	52.6	11%
1980	229.8	180.1	78%	49.7	22%
1981	284.4	227.8	80%	56.6	20%
1982	-331.4	-392.5	(-) 118%	61.2	(+) 18%
1983	24.2	-23.4	(-) 97%	47.7	197%
1984	265.9	248.2	93%	17.7	7%
1985	327.5	211.4	65%	116.1	35%
1986	297.6	326.7	110%	-29.1	(-) 10%
1987	303.9	264.2	87%	39.6	13%
1988	345.7	269.2	78%	76.5	22%
1989	252.6	221.4	88%	31.2	12%
1990	59.0	19.8	34%	39.3	67%
1991	-270.8	-315.5	(-) 117%	44.7	(+) 17%
1992	-125.8	-157.7	(-) 125%	31.9	(+) 25%
1993	84.8	-22.9	(-) 27%	107.8	127%
1994	282.9	273.7	97%	9.2	3%
1995	294.9	233.3	79%	61.5	21%
1996	164.0	92.3	56%	71.6	44%
1997	347.0	162.7	47%	184.3	53%
1998	378.8	307.3	81%	71.5	19%
1999	330.9	293.2	89%	37.7	11%
2000	287.6	329.2	114%	-41.5	(-) 14%
2001	137.8	250.0	181%	-112.2	(-) 81%
2002	248.8	212.0	85%	36.8	15%
2003	244.1	177.3	73%	66.7	27%

Source: Statistics Canada, *Labour Force Survey*, January 2004

Note 1: (-) indicates a negative contribution to Total Net Employment Change.
(+) indicates a positive contribution, despite a negative Total Net Employment Change.

Note 2: Net change figures may not add up to total net change due to rounding.

Figure 8: Net Private Sector Total Employment Change and Net Self-employment Change, Year-over-year (Thousands), 1977–2003



Source: Table 12.

Do the self-employed work longer hours than employees?

The evidence is strong that the self-employed work longer hours than employees; this has been the case since at least 1987. The self-employed worked 40.8 hours per week in 2003 compared with 35.5 hours for employees, on average. Even more striking is the large difference in those who usually worked over 50 hours per week in 2003: 33% of self-employed persons worked over 50 hours compared with only 5 percent of employees (Figure 9). Clearly, the self-employed usually work longer hours than employees.

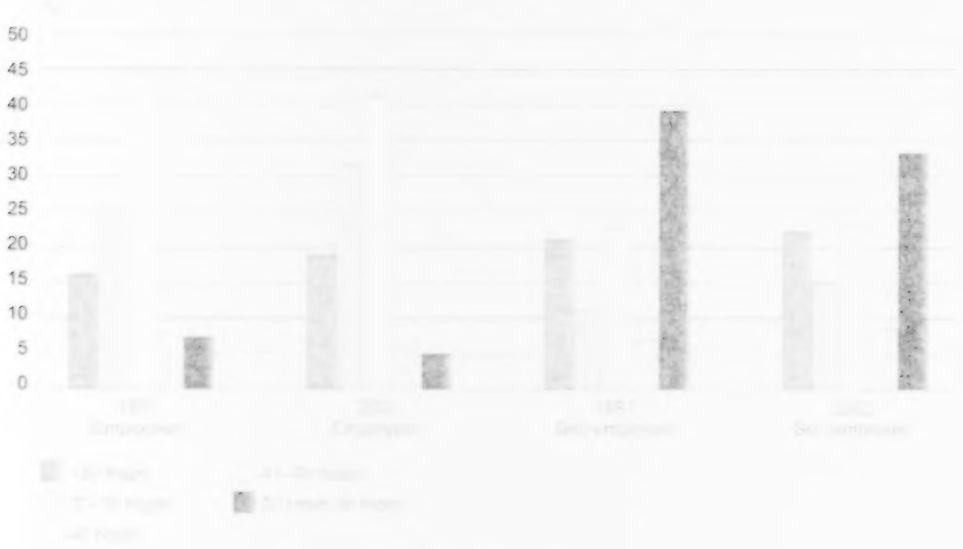
When it comes to working part-time (less than 30 hours per week), the self-employed are very similar to employees; 22% of the self-employed and 19% of employees worked part-time in 2002.

These differences between the self-employed and employees persisted over the 1987–2003 period, although there has been some abatement of the tendency of the self-employed to work over 50 hours per week since 1999. As well, there has been a small rise in the proportion of those working part-time, both among the self-employed and among employees.

As shown in Figure 10, there are also major differences between men and women in usual weekly hours worked: men are more likely to work long hours, while women are more likely to work part-time. On average, self-employed men worked 44.7 hours per week in 2003, compared with only 33.3 hours for self-employed women. Furthermore, 39% of self-employed men worked over 50 hours in 2003, compared with only 20% of self-employed women. The same pattern applies among employees, although at much lower levels: 7% of male employees worked over 50 hours in 2003 compared with only 2% of female employees.

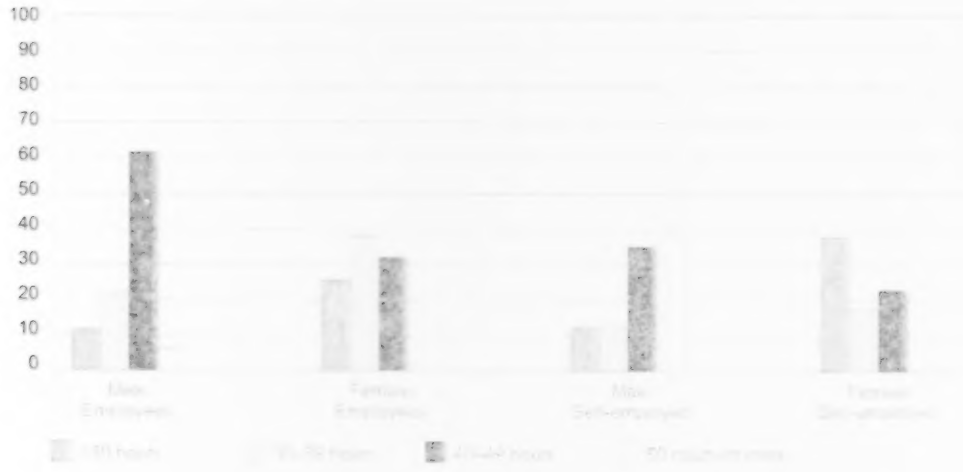
Females are more likely to work part-time, whether they are self-employed or are employees. Among the self-employed, 38% of women worked part-time (less than 30 hours) in 2003, compared with 13% of men. Among employees, 26% of women worked part-time in 2003, compared with 11% of men.

Figure 9: Percentage Distribution of Usual Weekly Hours of Employees and Self-employed, 1987 and 2003



Source: Statistics Canada, *Labour Force Survey*, January 2004

Figure 10: Percentage Distribution of Usual Weekly Hours Worked, by Class of Worker and Sex, 2003



Source: Statistics Canada, *Labour Force Survey*, January 2004

How many small business entrepreneurs are women?

There is no easy way to precisely determine the number of entrepreneurs in Canada, much less the number of women entrepreneurs. However, it is possible to estimate the number using available data on self-employment and business ownership.

Statistics Canada's *Labour Force Survey* reports there were 826 000 self-employed women in Canada in 2003, accounting for about one third of all self-employed persons. (While not all of the self-employed would identify themselves as entrepreneurs, the number of self-employed women provides an upper limit for the number of female entrepreneurs.[7]) Over the past 10 years, the number of self-employed women has grown by 26%, compared with 16% growth in male self-employment.

Another way to count entrepreneurs is through business ownership. The report entitled *Small and Medium-sized Enterprise (SME) Financing in Canada*[8] distinguishes four types of business ownership based on gender: majority female ownership, equal partnership between male and female owners, minority female ownership and no female ownership.

Based on this report, it is estimated that 45% of SMEs or about 647 000 businesses had at least some degree of female ownership in 2000. Of those, some 211 000 were majority owned by women, while 272 000 were owned by an equal partnership between male and female owners.

The report found that SMEs majority owned by women were less likely than other SMEs to employ more than 20 employees and also had started up more recently than firms that are majority owned by men. A large number of SMEs owned by women operated in the wholesale, retail and professional services industries. Women owners of SMEs also tended to have fewer years of experience in the industries in which they operated compared with their male counterparts.

7. Some entrepreneurs, especially if they are on the payroll of their own businesses, may not identify themselves as being self-employed; however, this number is likely to be smaller than the number of self-employed who are not entrepreneurs.

8. Government of Canada. *Small and Medium-sized Enterprise (SME) Financing in Canada*, 2002, available at **http://strategis.gc.ca/fdi**. The report is based in part on Statistics Canada's *Survey on Financing of Small and Medium Enterprises*, 2000.

Are women who are majority owners in a business refused bank credit more often than men?

The report, *Small and Medium-sized Enterprise (SME) Financing in Canada* (2002),[9] suggests that women entrepreneurs do not face greater difficulty than men in obtaining bank credit. In the case of SMEs that are majority owned by women, 17% requested debt financing and 82% of requests were approved, while for SMEs majority owned by men, 23% requested debt financing with an 80% rate of approval.

That said, certain characteristics of SMEs majority owned by women appear to make them less likely to request debt financing. Whether businesses apply for financing or not varies greatly across industries and size of the business.

As already noted (see **How many small business entrepreneurs are women?**), SMEs majority owned by women tend to be smaller and younger relative to SMEs owned by men. In addition, SMEs owned by women are more likely to operate in the wholesale, retail and professional services industries.

Report results showed that SMEs with fewer than five employees had the lowest rate of requests for debt financing and approval rates. SMEs that operated in the wholesale, retail and professional services industries also had lower-than-average rates of requests for debt and lease financing.

In the course of the survey that led to the report, women owners of SMEs who required financing but did not often apply cited difficulties in the application process and the likelihood of their requests not being approved as reasons for not applying. In contrast to these perceptions, the survey found that women owners of SMEs who did apply for debt financing were not required to provide any more documentation to suppliers of credit than were owners of SMEs in general.

The report's results support the conclusion that it is not the gender of a business owner, but rather the sector in which a business operates and its size and age that determine access to financing.

9. Government of Canada, *Small and Medium-sized Enterprise (SME) Financing in Canada*, 2002, available at **http://strategis.gc.ca/fdi**. The report is based in part on Statistics Canada's *Survey on Financing of Small and Medium Enterprises*, 2000.

Do SMEs innovate as much as large firms?

In a world with limited resources, the fastest way to boost productivity and economic growth is to innovate. Innovation is often thought to be synonymous with high technology inventions, but innovative behaviour encompasses much more than that. The government's January 2001 White Paper on Canada's Innovation Strategy defines innovation as "the creative process of applying knowledge and the outcome of that process."[10]

One indicator of innovative behaviour is the amount of research and development (R&D) expenditures a firm undertakes. R&D is not necessarily easy to measure, especially in the context of SMEs. However, certain data can be obtained, either through surveys or by taking into account the fact that firms claim tax credits for such expenditures. Statistics on Scientific Research and Experimental Development tax credits reveal two telling facts about innovation by SMEs: they spend far less than large firms do in terms of absolute amounts; but, as a percent of revenue (R&D intensity), spending on innovation by SMEs far outstrips that of larger firms.

In 2001, according to Statistics Canada, nearly 9000 firms spent approximately $13 billion on R&D, as shown in Table 13. Of the total R&D spending, close to 20% came from some 7650 firms with fewer than 100 employees, or an average of $0.31 million per SME. On the other hand, just 316 large firms accounted for 64% of total R&D expenditures, an average of $26.8 million per firm. However, the proportion of R&D expenditure as a percentage of company revenue generally decreases with firm size.

10. Government of Canada, *Achieving Excellence: Investing in People, Knowledge and Opportunity*, January 2001, p. 4.

Table 13: Scientific Research and Experimental Development Expenditures by Number of Employees, 2001

Number of Employees	Number of Companies	R&D Expenditures ($ millions)	Average Expenditure per Company ($ millions)	% of Performing Company Revenues
Non-commercial	21	180	8.6	—
1–49	6 746	1 372	0.2	5.5
50–99	907	998	1.1	7.0
100–199	568	1 128	2.0	5.6
200–499	335	1 041	3.1	3.1
500–999	126	1 364	10.8	3.5
1 000–1 999	96	1 555	16.2	2.3
2 000–4 999	56	1 038	18.5	1.1
≥5 000	38	4 504	118.5	1.6
Total	**8 893**	**13 179**	**1.5**	**2.2**

Source: Statistics Canada, *Industrial Research and Development — 2003 Intentions*, Cat. No. 88-202-XIB, December 2003.

Note: For firms funding or performing less than $1 million in R&D and applying for a tax credit under the Scientific Research and Experimental Development program, the data are derived from administrative data of the Canada Revenue Agency. For firms spending more than $1 million, the data are obtained from a mail-out survey of all firms.

A broader gauge of innovative behaviour, but only among manufacturing firms, can be found in Statistics Canada's 1999 Survey of Innovation.[11] The survey found that 80% of SMEs innovated, only slightly less than 88% of large firms. SMEs are defined here as manufacturing firms with between 20 and 249 employees. An innovative firm is one that offered new or significantly improved processes, goods or services in the previous three years.

Innovating SMEs generally displayed the same characteristics as larger innovators; for example, the sales ratio of innovative products in SMEs and large firms differed little from the overall average of 27%. Furthermore, smaller innovators identified the same top seven objectives of innovation and ranked them in almost the same order as did large firms. (These were, in order of importance to SMEs: to improve product quality, increase production capacity, extend product range, reduce production time, improve production flexibility, increase speed of delivering products to the market and reduce labour costs.)

Although innovative companies in the manufacturing sector exhibited similar characteristics regardless of their size, the magnitude of innovation did vary with size; for example, SMEs scored lower than large firms in all measures of involvement in innovative activities, novelty of the innovation, rate of collaboration, use of intellectual property rights and use of government support. As well, large firms were consistently more involved than were SMEs in innovative activities such as training, industrial design and engineering,

11. The 1999 Survey of Innovation covered approximately 6000 provincial enterprises in manufacturing industries and asked about their innovative activities during the three-year period between 1997 and 1999. The definition of innovation, based on the Oslo manual (OECD, 1996), was the introduction of new or improved products or processes. Only firms with more than 20 employees and at least $250 000 in annual gross business revenues were included in the survey.

acquisition of machinery and equipment, tool-up and production start-up, and R&D activities. Fewer SMEs introduced innovations that were world firsts or Canadian firsts — 41% compared with 61% for large firms. As for collaboration, 31% of innovating SMEs collaborated with other firms to acquire complementary knowledge and technologies, compared with 46% for large innovators. Figure 11 shows differences between small, medium-sized and large manufacturing firms regarding the use of intellectual property rights, while Figure 12 illustrates differences with regard to use of government support. In these figures, small refers to firms with at least 20 but fewer than 50 employees, while medium-sized firms are those with between 50 and 249 employees. While small, medium-sized and large firms scored their practices in the same order, as noted above, Figures 11 and 12 show the differences in the degree to which these practices were used, depending on the size of firm.

Figure 11: Use of Intellectual Property, 1999 (Percent of Innovative Manufacturing Firms)

Source: Can D. Le and D. Tourigny, *Innovation in Canadian Manufacturing SMEs* (Preliminary), Industry Canada, September 2003.

Note: Small firms are defined as having fewer than 50 employees, medium-sized as having between 50 and 249 employees, and large as having more than 250 employees. Only manufacturing firms with more than 20 employees and at least $250 000 in annual gross business revenues were included in Statistics Canada's 1999 Survey of Innovation, on which these data are based.

Figure 12: Use of Government Support, 1999 (Percent of Innovative Manufacturing Firms)

Source: Can D. Le and D. Tourigny, *Innovation in Canadian Manufacturing SMEs* (Preliminary), Industry Canada, September 2003.

Note: Small firms are defined as having fewer than 50 employees, medium-sized as having between 50 and 249 employees, and large as having more than 250 employees. Only manufacturing firms with more than 20 employees and at least $250 000 in annual gross business revenues were included in Statistics Canada's 1999 Survey of Innovation, on which these data are based.

How many small businesses use e-business?

Engaging in electronic business (e-business) is defined as leveraging "the Internet for providing or sharing information, or for delivering services, and/or realizing some or all of its revenues from Internet-based transactions and/or the manufacture and sale of Internet-related products or services."[12] In addition to on-line purchases and transactions (referred to as e-commerce), e-business includes portfolio management, business planning, and Internet- or Intranet-based communication between a business and its clients, suppliers and other partners.

Embracing e-business can offer many benefits to a firm, regardless of its size. Using the Internet as a business tool can improve coordination within the production process, improve communication with suppliers and customers, optimize supply sources and increase a firm's presence in the marketplace. However, the extent to which firms use e-business, and for what purposes, varies considerably depending on a firm's size.

Data on e-business are available from a variety of sources, which often do not agree. The reason for the discrepancies is that e-business survey results are very sensitive to sample selection and timing. The most reliable source of data on e-business is Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT), which was first conducted in 1999.[13] This survey covers more than 21 000 firms, and defines small firms as having fewer than 20 employees, medium-sized firms as having between 20 and 99 employees (499 for manufacturing) and large firms as having more than 100 employees (500 for manufacturing). Table 14 displays results of the 2001 survey.

Having an Internet connection does not necessarily mean a business is embracing e-business, although being connected may serve as an indicator for the use of e-business because it is a minimum requirement for participation in almost any form of e-business. While the rate of small firms connecting to the Internet is increasing, they continue to lag behind medium-sized and large firms in terms of both connection rates and the ways in which the Internet is put to use in the business. The overall rate of firms connected to the Internet was 71% in 2001, but small firms lagged well behind at 68%, compared with 91% and 94% of medium-sized and large firms connected to the Internet, respectively.

Web site ownership rates also increase with firm size. More than twice as many medium-sized firms owned a Web site (57%) compared with small firms (24%), while three times as many large firms as small firms owned Web sites (74%).

12. *Fast Forward — Accelerating Canada's Leadership in the Internet Economy*. Report of the Canadian E-Business Opportunities Roundtable. January 2000. p. 11.

13. The minimum level of revenue required to be included in Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT) varies depending on the industry but ranges from $150 000 to $250 000 per year. Businesses with no full-time employees but that meet the minimum revenue criterion were included in the survey. Those without full-time employees included self-employed persons without paid help, seasonal businesses and virtual firms.

As firm size increases, there is clearly a higher percentage of firms that buy and sell on-line. Furthermore, the number of firms that buy on-line is roughly three times the number of firms that sell on-line, and this holds true for all sizes of firms. For instance, only 6% of small firms sell on-line, while 20% purchase on-line; for medium-sized firms, 12% sell and 30% purchase on-line; and for large firms, 15% sell and 52% purchase on-line.

Table 14: Internet Access and Use by Firm Size (Percent), 2001

	Size of Firm			
	Small	**Medium**	**Large**	**Total**
Internet Access	68%	91%	94%	71%
Own Web Site	24%	57%	74%	29%
Sell On-line	6%	12%	15%	7%
Purchase On-line	20%	30%	52%	22%

Source: Sandra Charles, Mathew Ivis and André Leduc, *Embracing e-business: Does Size Matter?*, Statistics Canada, 2002.

Note: Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT), on which these data are based, defines small firms as having fewer than 20 employees, medium-sized firms as having between 20 and 99 employees and large firms as having more than 100 employees for all industries except manufacturing. The upper limit for the medium-sized category in the manufacturing industry is 499 employees while firms with 500 employees or more are defined as large.